



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

November 16, 2007

MEMORANDUM FOR SEE DISTRIBUTION

FROM: Stuart W. Bowen, Jr., Inspector General

SUBJECT: Informational Memorandum Related to a FOIA Request

The purpose of this memorandum is to provide you information related to a Freedom of Information Act (FOIA) request that the Office of the Special Inspector General for Iraq Reconstruction (SIGIR) has received from a press outlet.

The request appears to be related to questions raised by sources outside of SIGIR about the propriety of certain practices and expenditures made by the agency. We are gathering information responsive to the request and will make it available to you as well. In the interest of transparency, I am providing you this memo to ensure full disclosure of all the relevant background information applicable to the matters broached by the FOIA request.

The measure of SIGIR's success is found in the impact of its work to date: 15 Quarterly Reports, over 100 audits, over 100 inspections, over 300 investigations, 3 lessons learned reports, and 23 testimonies before the Congress. This work has deterred fraud, waste, and abuse within the Iraq reconstruction program, provided guidance to program managers in Iraq, and facilitated congressional oversight of the program.

LESSONS LEARNED CAPPING REPORT

In addition to performing audits, inspections and investigations, SIGIR's mandate in P.L. 108-106 requires it to "provide for the independent and objective leadership and coordination of, and recommendations on, policies designed to promote economy efficiency and effectiveness" in Iraq reconstruction programs. In 2005, SIGIR initiated a program to produce lessons learned reports to recommend best practices based on our findings about Iraq's reconstruction, thus fulfilling, in part, this requirement.

To date, SIGIR has published three lessons learned reports on: (1) Human Capital Management; (2) Contracting and Procurement; and (3) Program and Project Management. These reports have helped prompt remedial legislation now pending before the Congress that will implement certain lessons learned recommendations, have been widely used by program managers in Iraq for training and reform, and was in part the basis of the Office of Federal Procurement Policy's May, 2007, "Emergency Acquisitions Guide." Over the past 18 months, SIGIR has been working

diligently on a fourth report in this series, the Lessons Learned Capping Report (LLCR), which is tentatively titled “Hard Lessons: The Story of Iraq Reconstruction.” SIGIR’s Quarterly Reports periodically have provided updates to the Congress on the lessons learned program. Significantly, the LLCR has been discussed in each of the past five Quarterly Reports.

SIGIR’s LLCR effort is a comprehensive and complex historical review of the Iraq reconstruction program. Among other things, the report will: (1) update SIGIR’s previous lessons learned reports; (2) capture an accurate and accessible history of what happened to the billions of taxpayers dollars invested in Iraq’s reconstruction; and (3) provide recommendations for improving U.S. contingency relief and reconstruction architecture and operations.

SIGIR is uniquely positioned to develop this report, because it is the only Inspector General that looks cross-jurisdictionally at Iraq reconstruction and as a temporary agency has no institutional interests to defend or preserve. Since its inception, our lessons learned effort, including the LLCR, has received consistent support from members of Congress (including Senators John Warner, Susan Collins, and Russ Feingold) and from leadership at the Departments of State and Defense (including Secretary Rice, Ambassador Ryan Crocker, Deputy Secretary Gordon England, and General David Petraeus).

SIGIR’s entire Lessons Learned effort, encompassing three published reports and the ongoing LLCR, has incurred costs amounting to approximately \$2.5 million to date (less than 2% of our total budget). We anticipate that up to \$1 million more may be expended on the project before it is complete. We have made significant progress toward developing an LLCR draft that will be vetted with the Departments of Defense and State and other oversight organizations, including GAO, the Department of Defense Inspector General, and the Department of State Inspector General. Once written, vetted and edited, the complete report will be printed by the Government Printing Office. The project receives editorial input from experts from RAND, the US Institute of Peace, Harvard’s Kennedy School of Government, the National Defense University, and a former senior Department of State official, to name a few.

Part of the LLCR’s expense stem from SIGIR’s consulting contract with the Center for Strategic and International Studies (CSIS). To date, SIGIR has spent less than \$95,000 for CSIS’ services. CSIS possesses unique expertise in the area of Iraq Reconstruction derived in part from its involvement in such other recent Iraq-related study efforts such as the Iraq Study Group and the Project on National Security Reform.

The LLCR is SIGIR’s most ambitious – and potentially most important - project, and we will continue to work hard to produce a report that I believe can be of great value to the U.S. government as it addresses the problems of post-conflict relief and reconstruction architecture and operations.

EMPLOYEE COMPENSATION

SIGIR employees are subject to Department of the Army civilian personnel regulations. They are generally subject to the same pay policies applicable to all federal civilian employees assigned to Baghdad.

The average SIGIR employee now assigned to Baghdad has served there for over 18 months; and SIGIR has several auditors and inspectors who are approaching 3 years of service in-country. Most of our employees are temporary hires under 5 USC 3161.

Pursuant to 5 USC 3161, SIGIR hires individuals at salaries based upon their highest previous compensation, but capped at the GS-15/Step 10 level. Senior management are paid as SES equivalents at \$144,000 annually, which is \$529 more than a GS-15/Step 10 and \$1,000 less than the Inspector General who is paid \$145,000 as set by P.L. 108-106 (Excepted Service, Level IV). SIGIR employees serving in Iraq receive 35% danger pay and a 35% post differential allowance (the latter only if they serve more than 42 consecutive days at post), entitlements which are established by the Department of State.

SIGIR pays overtime within authorized caps – but our overtime policy is more restrictive than the overtime policy for 3161s with the Department of State and the DOD. Our R&R policy is also more restrictive. For employees working in Baghdad, there is a \$212,000 annual pay cap on base and overtime pay. For 2006, 15 employees reached the cap on annual compensation during their time in Iraq.

The danger pay and post differential allowance authorized under law is a significant factor in our ability to recruit and retain highly qualified professionals prepared to work in a war zone. These incentives are provided, pursuant to decisions made by the Department of State, because of the palpable danger that accompanies work in Iraq, a danger experienced quite directly this year by SIGIR. Thus far in 2007, five SIGIR employees have been wounded by indirect fire. I am grateful that they all have fully recovered. Two have remained in country since being wounded, two others will soon return to Iraq to resume their duties, and one has left the organization.

EMPLOYEE TURNOVER

SIGIR has had a relatively regular employee turnover rate. This turnover rate is not unusual, given that SIGIR is a temporary organization, has had three separate termination dates in three years, operates in a war zone, and has a report-production requirement that is twice that of any other IG. Moreover, as many of our employees are highly experienced, older workers, it is no surprise that some eventually decide to depart for full or partial retirement.

The IGs at both DOD and DoS have had difficulty recruiting personnel for their respective oversight missions in Iraq and Afghanistan, and thus they have coordinated with me on the recruitment of certain experienced SIGIR personnel for their offices. Over the course of this year, three members of SIGIR's senior staff have transitioned to permanent, senior positions with the Department of State and Department Defense Offices of Inspector General. Prior to their departure, each of these employees had worked at SIGIR for two to three years. I am pleased that some of my more experienced employees have found permanent positions at our sister agencies, as it will strengthen our collaborative oversight effort in Iraq.

A number of personnel who departed SIGIR have eventually decided to come back. The newest addition to our senior staff is a former SIGIR employee who returned to lead the investigations directorate. Also returning this year to SIGIR is our Deputy Inspector General for Baghdad who

came back after a term with the Department of the Treasury. SIGIR has eight individuals on staff who have returned for a second tour -- and several more are in the pipeline.

SIGIR now has a senior management team that is, I believe, the finest we have fielded to date. This team complements our experienced and capable senior auditors, inspectors, and investigators now working in Arlington and Baghdad.

SIGIR'S BUDGET

SIGIR regularly provides budget justifications to Congressional appropriators and the Office of Management and Budget, which oversee our expenditures. Over the past three years, SIGIR has had an average annual budget of \$27 million. This covers the extraordinary costs of danger pay and the post differential allowance for our employees in Iraq, as well as the high cost of travel to and from Iraq.

Because we are a temporary organization with an enormously challenging mission, SIGIR must rely on senior level staff who do not require extensive training or supervision. While over 58% percent of our staff are at the GS 14 or 15 level (and many work overtime hours, particularly the Baghdad staff), the unique quality of our workforce has permitted SIGIR to produce over 200 audits and inspections and 15 quarterly reports to Congress in three and a half years.

During SIGIR's first year as an organization (as CPA-IG), our anticipated lifespan was expected to be less than a year, which made it difficult to find staff willing to take short-term assignments. SIGIR thus relied primarily on detailees. Our first quarterly report was due two months after my January 21, 2004, appointment as IG. It consequently was necessary to contract for program management support to help SIGIR meet its reporting mandate. (SIGIR is required to provide quarterly reports to the Congress, while all other IGs provide semi-annual reports.)

After posting and competition, Deloitte & Touche (D&T), a highly-respected firm, was selected, and it has provided excellent program management support to SIGIR for every Quarterly Report produced since March 2004. This contract was re-competed in 2007, and the Pentagon Center for Contracting Excellence awarded D&T the follow-on contract. The D&T contract permits SIGIR to "surge" editors and researchers for several weeks each quarter as the quarterly report is finalized.

As the Congress has extended SIGIR's term, we have worked hard to shift the balance of our workforce from contract to government employees. Thus, although the D&T contract continues to provide vital support to SIGIR for production of its high-quality quarterly reports, we have significantly reduced the amount of our overall budget that goes into contracted support. In our first three years, SIGIR spent an average of \$6.6 million per year on support from D&T. For FY 2008, we have reduced that to \$4 million -- a reduction of 40%. We continue to look for ways to reduce expenditures.

PEER REVIEW

GAO guidelines call for audit organizations that produce work adhering to Generally Accepted Government Auditing Standards to have an initial peer review within three years of beginning

work on their first assignment. This is a logical requirement for a permanent audit organization. Notwithstanding SIGIR's temporary status, I believe it is appropriate that we be subject to a peer review.

The Executive Council of Integrity and Efficiency has set SIGIR's peer review start date for October 2008, approving an extension we requested and with which GAO concurred. SIGIR currently is moving ahead on an internal review program, which is standard practice for audit organizations preparing for peer reviews. I recently added two former senior executives from GAO to our audit staff, and they will lead our peer review preparations. At a practical level, SIGIR welcomes the opportunity to participate in the peer review process, because it will serve as a vehicle for validating the quality of our work and for strengthening our audit processes.

PCIE ADMINISTRATIVE INVESTIGATION

SIGIR is cooperating with an administrative investigation by the President's Council on Integrity and Efficiency (PCIE), initiated as the result of a complaint filed against me and SIGIR's Deputy IG in March 2006. An earlier PCIE investigation was conducted in 2005, and it found all allegations to be unsubstantiated. These types of administrative investigations are routinely conducted by the PCIE. The current administrative review has been ongoing since May 2006.

In 2006, at the recommendation of SIGIR's General Counsel, SIGIR's Deputy Inspector General and I engaged the services of separate outside counsel to advise us on the administrative review. Based on past Comptroller General Opinions, SIGIR's General Counsel determined that a portion of the Deputy IG's legal fees could be reimbursed by SIGIR, because the administrative review covered actions taken in her official capacity. SIGIR has paid a total of \$32,700 for the Deputy IG's legal fees. An additional \$11,240 in uncovered legal expenses has been paid by the Deputy IG out of her personal funds. No payments have been made with SIGIR funds for any of my legal costs. SIGIR has been required to reimburse over \$112,000 to the office assigned by the PCIE to conduct the investigation for costs associated with the investigation.

CONCLUSION

As the head of an office tasked with a highly visible, extremely challenging, and critically important oversight mission in Iraq, I take seriously the requirement that SIGIR maintain the highest standards of integrity and transparency as we carry out our demanding oversight effort. It is in that spirit that I provide this memo. My staff and I are available at any time to provide further information on these or any other matters related to SIGIR's work.

I remain proud of SIGIR's current and former staff who have worked hard to build our organization into one of the most effective oversight entities in government today. As long as the Congress authorizes SIGIR to perform its mission, I will continue to strive to ensure that we fulfill that mission with diligence and honor.

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